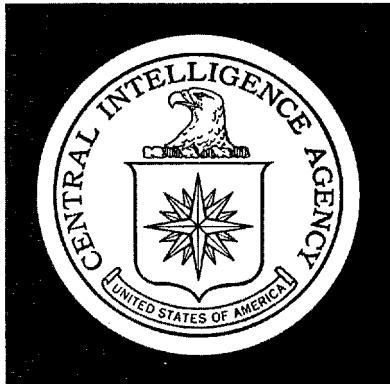


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¶ Vietnam: Hanoi has negotiated a new aid agreement with Moscow as part of Premier Pham Van Dong's visit to the Soviet capital.

The North Vietnamese premier has been on an official state visit to Moscow for the past three days and his reception has been warm and cordial. For Hanoi, the visit is essentially a balancing act to offset a similar visit by Dong to Peking earlier this month. For Moscow, it provides an opportunity to demonstrate publicly its open-handed generosity in supporting the Vietnamese. The publicity accompanying the visit has been focused on promises that Soviet military and economic support will continue until Hanoi gets what it wants in terms of a negotiated settlement. Sensitive political issues were probably discussed earlier when Dong passed through Moscow on 4 October, or in conversations with Brezhnev when they were both in East Germany for national day festivities.

The new aid agreement pledges the Soviets to provide military aid as long as the war continues. Economic aid is also included both for current needs and to program longer-term reconstruction aid. The pact will probably follow the pattern of reduced military deliveries and expanded economic assistance that has prevailed since the bombing halt. [redacted]

[redacted] During the same period economic assistance rose by 20 percent to \$240 million.

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Hanoi's agreement with the USSR follows the signing of 1970 aid agreements with Communist China and East Germany. The East Germany agreement was distinguished by the establishment of a joint committee to facilitate economic planning. North Vietnamese aid negotiator Le Thanh Nghi, who has accompanied Pham Van Dong throughout this current foreign junket, will probably move on to other East European countries at the conclusion of the Moscow visit.]

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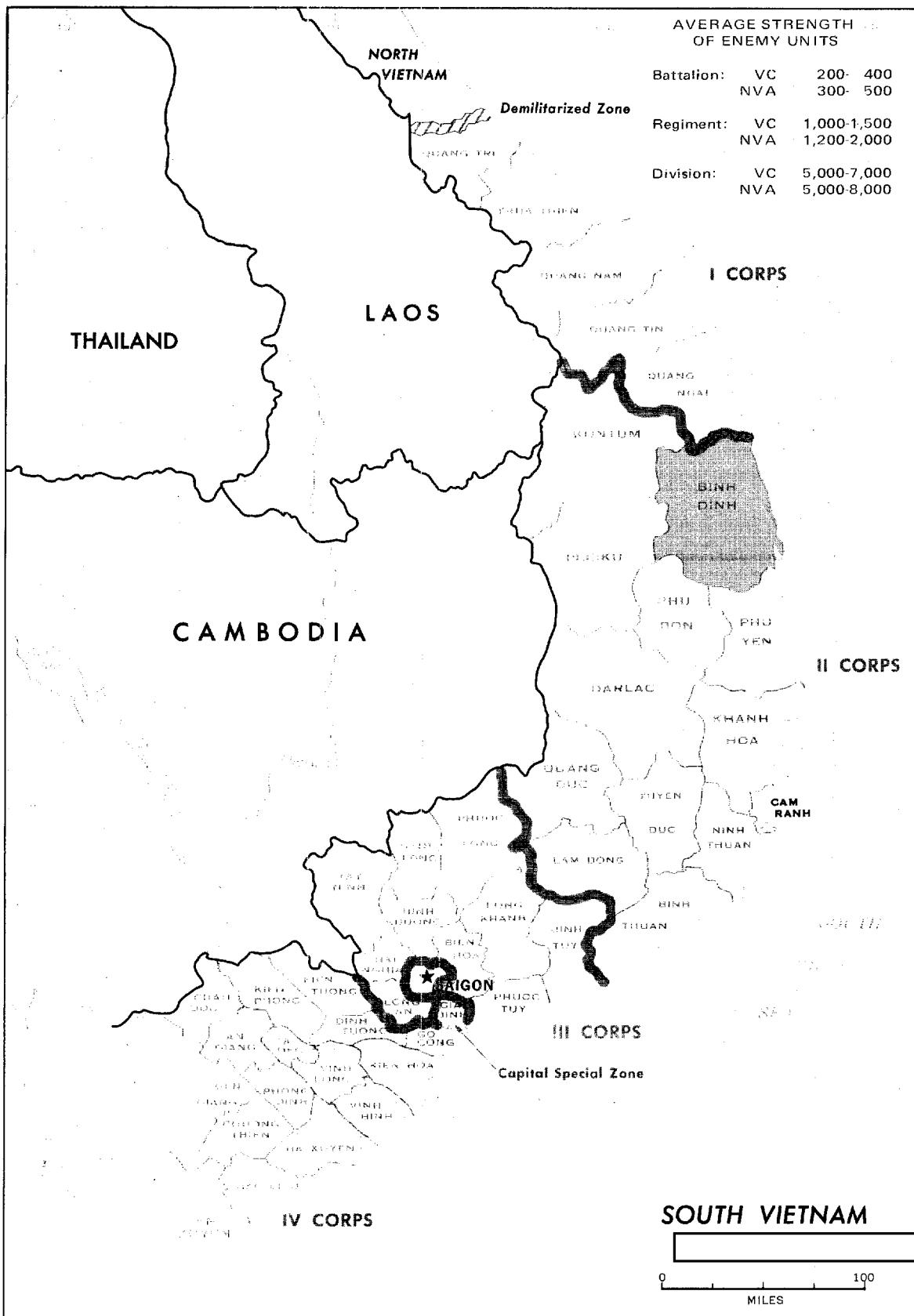
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[Hanoi undoubtedly hopes that the East European countries will increase their aid programs as North Vietnamese priorities shift from military to economic assistance.

* * * *

Several Communist shellings in southern I Corps and occasional small-unit skirmishes in the delta provinces marred an otherwise uneventful military scene in South Vietnam on 15-16 October. The South Korean Marines have encountered some light enemy resistance in Binh Dinh Province in the past few days and have uncovered large caches of enemy weapons, including Soviet-made 122-mm. rockets.

[Map)]

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Japan: Prime Minister Sato is moving skillfully to harness wide political support for his handling of the Okinawa issue.

Looking toward his talks next month in Washington over completing arrangements for the return of the Ryukyus to Japan, Sato is missing no opportunity to prove that his policies represent the furthest he can go in view of national feeling. He met this week with opposition leaders from the middle-of-the-road Komeito and Democratic Socialist parties to reaffirm the government's commitment to achieve reversion by 1972, in line with popular sentiment.

The summit meeting of the party leaders was a clear gain for Sato. By urging the prime minister to press the US for "homeland level" reversion, which calls for the removal of nuclear weapons from Okinawa and placing US forces there under the same restrictions as those which apply in Japan, the two opposition party leaders implicitly supported Tokyo's negotiating position. They also reaffirmed that Japan-US friendship was basic policy in their respective parties. The radical Japan Socialist Party, which is opposed to the continuation of the treaty, boycotted the meeting, and the Communists were not invited.

The ruling party's announcement on Tuesday of its formal support for continuation of the Japan-US security treaty "for a considerable length of time" was designed to reassure Washington that Okinawa's reversion will not affect the durability of mutual security ties. The timing of the announcement also suggests that it was intended to strengthen Sato's hand for the talks.

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Bolivia: President Ovando is under increasing pressure to nationalize the US-owned Bolivian Gulf Oil Company.

Since Ovando took over the government on 26 September, there has been a growing public outcry for the nationalization of the company. Demands for expropriation by students, labor, and leftist political groups originally were encouraged and given respectability by Ovando's own nationalistic statements regarding a possible take-over of the company.

Leftist members of the cabinet who are pressing for nationalization have devised a plan that would allow Gulf to share in production until it had regained its investment. The plan somewhat unrealistically envisions that Bolivia would receive aid from Europe and Japan that would enable it to operate the company's holdings profitably.

[Redacted]

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[Redacted] Ovando declared recently that such a drastic move is "unnecessary," but he may be unwilling or unable to withstand the pressure for nationalization from both within and outside the government.

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[Redacted]

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Brazil: General Medici's probable cabinet appointments suggest that the general policy lines of the Costa e Silva administration will be maintained, but some appointments could lead to improvements in key areas.

According to Interior Minister Costa Cavalcanti, the new president plans to make a number of cabinet changes. The shift of Labor Minister Passarinho to the Education Ministry, replacing ineffective Tarso Dutra, raises the possibility of reforms in this long-neglected field. The designation of Brazilian Ambassador to the US Mario Gibson to replace staunch nationalist Foreign Minister Magalhaes Pinto could be a boost for US-Brazilian relations. Some improvement is also likely in the ministries of Health and Agriculture, whose present heads--along with Dutra--are considered the least effective men in the cabinet.

Costa Cavalcanti says that he and Transportation Minister Andreazza will retain their posts. Another holdover will be Finance Minister Delfim Neto, the architect of the economic program, whose authority will probably be increased by the abolition of the planning ministry.

Two of Medici's projected selections could be very unpopular among Brazilians hoping for needed reforms. Retired Admiral Rademaker Grunewald, who is to be vice president, does not have the united support of the navy, and some officers of the other services--particularly the air force--strongly oppose him. Alfredo Buzaid, the probable new justice minister, is greatly disliked by students and liberals who resent his heavy-handed purge of professors at the University of Sao Paulo last spring.

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Peru: President Velasco has taken further steps to quash civilian opposition to his government.

The mayor and city council of Trujillo, a city that is a stronghold of the American Popular Revolutionary Alliance (APRA) party, have been summarily dismissed for not raising the flag in the President's honor during his visit there last week. In his Trujillo speech Velasco seemed to be offering the olive branch to APRA, but any hope of reconciliation at this time has ended.

There is some concern in Lima that the mayor of that city, Luis Bedoya Reyes, may be the next to go because he is one of the strongest critics of the military government. In any case, Velasco appointees will replace elected city governments throughout the country when their terms expire at the end of the year.

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USSR: In a recent article appearing in a Baku newspaper, Moscow cautiously explains its imports of oil and gas from developing countries.

The article was written by an editor of Foreign Trade, and notes the conclusions of a recent study by the USSR Academy of Sciences. In this study, territorial "inequities" in the geographical distribution of Soviet deposits make some imports of oil and gas advantageous to the USSR--despite its vast deposits and its present position as a large net exporter of petroleum. The article emphasizes that the Soviet Union merely would be following the example of such oil- and gas-rich countries as the US and Canada in importing "some quantities" of these fuels when it is economically advantageous. The article does not say so directly, but it is clear that oil imports would be especially beneficial to the USSR if production in the important Urals-Volga fields should decline when not yet balanced by the increasing output from more remote fields in western Siberia.

The article points out that Soviet imports of natural gas from Iran and oil from Iraq and Algeria will be in payment for Soviet machinery and equipment needed by key industries in these developing countries. No indication is given of the anticipated volume of such imports, but the author decries Western speculation that it will be sufficient to disrupt the supply of oil to Western Europe.

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Romania: The government's plans to expand iron and steel production during the coming years will be severely hampered unless new stable sources of coke can be found.

Romanian requirements for metallurgical coke, which rose when a new blast furnace went on stream at Galati last year, will increase further when another blast furnace opens there later this year. Domestic production cannot be relied upon to provide any significant portion of the increased requirements for coke.

Imports provided almost 60 percent of Romanian coke consumption last year, with most of these imports coming from the Communist countries. Romanian officials claim that Poland and Czechoslovakia did not make anticipated shipments of coke to Romania this year, at a time when the demand is climbing steeply. Although the Soviet Union is expected to maintain its current level of supply to Romania, Moscow is unable to increase shipments significantly because of its own domestic needs and other export commitments.

Coke currently is in generally short supply worldwide. Some West European countries may even have trouble meeting their own needs. Romania has concluded supply agreements with Austria, Spain, and West Germany, but it is anxious to increase the quantities involved. Moreover, it has approached several US suppliers about buying some 300,000 tons annually during the next ten years. Purchases of coke from the US or other hard-currency countries will further strain Bucharest's already deficit hard currency position.

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Peru-USSR: Two Soviet delegations, a touring group of space scientists and a 15-man technical mission, arrived in Lima yesterday. These visits are further evidence of growing Soviet interest in Peru. Moreover, the Peruvians are paying the expenses of the technical team, indicating that they, too, are interested in strengthening ties between the two countries. The 15-man team is to make a feasibility study for a large irrigation and hydroelectric project in northern Peru that would considerably aid the agricultural and industrial development of that area.

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Ecuador: Government attempts to quell student and leftist agitation in Guayaquil have been only partially successful, and violence will probably increase. A protest movement against the closing of a school that is a haven for terrorists and extremists touched off the latest series of incidents and resulted in numerous arrests on 14 October. Army troops had to help police restore order. While the movement seems to be gaining momentum, it does not appear to be coordinated with unrest in other areas of the country caused by unpaid government salaries, inadequate school facilities, and labor complaints.

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NATO: The Alliance members--with the exception of Ottawa, whose decision is still pending--have agreed to establish a Committee on the Challenges of Modern Society (CCMS). Suggested by President Nixon last April, the CCMS will stimulate research on common environmental problems by member nations and by appropriate international bodies. There remains, however, some concern that the committee may duplicate work already under way in other international organizations. Assuming Canadian concurrence, the first CCMS meeting has been set for 8 December.

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